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GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS  
COMMISSIONER

## BILL ANALYSIS

**BILL NUMBER:** House Bill 4424 (H-1)  
**TOPIC:** Refunds for Excessive or Unfairly Discriminatory Auto or Home Insurance Rates  
**SPONSOR:** Representative Shanelle Jackson  
**CO-SPONSORS:** Representatives Fred Durhal, Coleman Young, Douglas Geiss, Kate Segal, Alma Wheeler Smith, Richard Hammel, Doug Bennett, Richard LeBlanc, Vincent Gregory, Bert Johnson, George Cushingberry  
**COMMITTEE:** House Committee on Insurance  
**Analysis Done:** December 2, 2009

### POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation.

### PROBLEM/BACKGROUND

A person who is aggrieved because of an auto or home insurance company rate filing made to OFIR can request the Commissioner hold a hearing to determine whether the rate filing is in compliance with the rating requirements in the statute. If the Commissioner finds the rates are excessive or unfairly discriminatory, he can disapprove a rate filing. Under current law, the Commissioner cannot order refunds to consumers for excessive or unfairly discriminatory premiums.

### DESCRIPTION OF BILL

The proposed legislation would allow the Commissioner to order an auto or home insurance company to refund any premiums that were found to be excessive or unfairly discriminatory if the amount of the refund is substantial and equals or exceeds the cost of making the refund.

## **SUMMARY OF ARGUMENTS**

### **Pro**

The Essential Insurance Act (EIA) was intended to give consumers an opportunity to challenge their home or auto insurance rate if they believe it is inaccurate or unfair. However, most policyholders simply change companies if they are unhappy with their premium rather than make the effort to challenge a rate. If policyholders can recoup some of the damage they suffered as a result of excessive or unfairly discriminatory rates, they may be more inclined to challenge the rates they are being charged.

This proposed legislation would also give the Commissioner the authority to make companies pay for damages, thereby encouraging companies to file and charge accurate rates.

### **Con**

The costs associated with the proposed refund process may result in some cost increases for insurance companies.

## **FISCAL/ECONOMIC IMPACT**

OFIR has identified the following revenue or budgetary implications in this bill:

### **(a) To the Office of Financial and Insurance Regulation:**

Budgetary:	OFIR would incur expense to hire, train and maintain adequate staff to perform in depth reviews of all auto insurance company rate filings, to hold hearings and to ensure compliance with the new standards.
Revenue:	Because the OFIR is a restricted revenue agency, these additional costs would have to be passed on to insurance companies in the state.

Comments:

### **(b) To the Department of Energy, Labor & Economic Growth:      None known.**

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None known.

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None known.

Comments:

**OTHER STATE DEPARTMENTS**

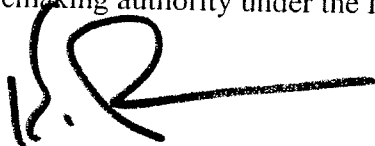
None known.

**ANY OTHER PERTINENT INFORMATION**

This proposed legislation is similar to legislation that was introduced in a previous legislative session.

**ADMINISTRATIVE RULES IMPACT**

The proposed legislation would amend the Michigan Insurance Code. OFIR has general rulemaking authority under the Insurance Code, 1956 PA 218.



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Ken Ross  
Commissioner

12-2-09  
Date

